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SECURITY PRICES AND INTEREST RATES IN 1910-12

In May, 1910, July, 1910, and April, 1911, the *Journal of Political Economy* published rather elaborate tables of security prices and interest rates for each month of the twenty years 1890-1909. The series included index numbers of common stocks, preferred stocks, and bonds, together with bond yields, discount rates on commercial paper, and call-loan rates. The numerous uses found for these figures make it desirable to bring them down to date.

Concerning the materials and methods employed in compiling the tables, full explanations were given in the articles mentioned above, and need not here be repeated. Volume and page references will suffice to show upon what tables for 1890-1909 the present extensions should be spliced. At the end of the article a few of the most important data will be given for the full period of twenty-three years now covered by the tables.

I. THE INDEX NUMBER OF COMMON STOCKS

The depression in trade and industry which followed the panic of 1907 was extraordinarily severe. But recovery began with unusual promptness. Within a year of the panic finance recuperated, and in the second half of 1909 manufacturing, wholesale trade, and retail trade showed marked gains. Meanwhile in England and Germany the crisis of 1907 had not degenerated into panic, the depression of 1908 had been less severe, and the recovery had begun later in 1909 and proceeded at a less rapid pace. Still the general course of the business cycles on the two sides of the Atlantic had been similar. But a striking difference presently appeared. The European revival suffered no serious check and developed into full-blown prosperity in 1910-12. On the contrary, the American revival proved as brief as it was prompt. Depression returned in 1910 and lasted through 1911. Finally, in 1912, America closed its second period of liquidation after the panic and entered upon its second period of revival. Despite the uncertainties of a presidential year, a long series of labor troubles, a continuation of the trust prosecutions which many had blamed

TABLE I

AVERAGE RELATIVE PRICES OF COMMON STOCKS IN FORTY TRANSPORTATION COMPANIES BY YEARS, QUARTERS, AND MONTHS 1910-12
 AVERAGE ACTUAL PRICES IN 1890-99 = 100

(Continues tables on pp. 349 to 367, *Journal of Political Economy*, XVIII)

	By YEARS			
	Low		High	Average
			Spread	
1909.....	266	288	22	277
1910.....	243	265	22	254
1911.....	241	256	15	248
1912.....	236	249	13	243

	By QUARTERS							
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Low	High	Low	High	Low	High	Low	High
1910.....	261	287	246	270	225	244	244	260
1911.....	245	261	250	263	237	256	235	248
1912.....	231	245	240	253	239	251	234	248

TABLE I—Continued

	By MONTHS					CURRENT EVENTS AFFECTING THE STOCK MARKET	
	Relative Prices of Stocks				Average Call-loan Rates Per cent		
	Low	High	Spread	Turning-points			
							Millions of Shares Sold
1910 January....	262	298	36	24.5	4.72	— 4.0	Taft's message recommending increase in powers of Interstate Commerce Commission, etc.; Hocking Coal & Iron Co. in hands of receivers; fall of cotton and grain prices; slackening activity in steel trade Signs of declining activity in several industries; failure of Fisk & Robinson N.Y. Central dividend rate increased; numerous strikes and wage advances Bad crop reports; gold exports, dear money, intimations of further prosecutions of corporations Large foreign sales of railway securities; crop prospects better Injunction against advance of railway rates; Interstate Commerce Commission reduces rates west of the Missouri Injury to spring wheat; Interstate Commerce Commission secured postponement of advances in freight rates; further restriction of trade; Farquhar-Pearson securities taken over by Kuhn, Loeb & Co. Gains by "Insurgents" in state conventions; further restriction of trade Minnesota rate decision favorable to railways; Democrats carried Maine; revival of demand for bonds
February...	252	275	23	Min.	2.78	+ .1	
March.....	268	289	21	Max.	2.88	+ 2.6	
April.....	254	277	23		3.28	-34.2	
May.....	252	272	20		3.63	+ 2.4	
June.....	233	265	32		2.77	+ 3.0	
July.....	219	246	27	Min.	2.41	+ 9.5	
August.....	228	250	22		1.55	+ 9.7	
September...	232	245	13		2.00	+ 1.4	

Taft's message recommending increase in powers of Interstate Commerce Commission, etc.; Hocking Coal & Iron Co. in hands of receivers; fall of cotton and grain prices; slackening activity in steel trade

Signs of declining activity in several industries; failure of Fisk & Robinson

N.Y. Central dividend rate increased; numerous strikes and wage advances

Bad crop reports; gold exports, dear money, intimations of further prosecutions of corporations

Large foreign sales of railway securities; crop prospects better

Injunction against advance of railway rates; Interstate Commerce Commission reduces rates west of the Missouri

Injury to spring wheat; Interstate Commerce Commission secured postponement of advances in freight rates; further restriction of trade; Farquhar-Pearson securities taken over by Kühn, Loeb & Co.

Gains by "Insurgents" in state conventions; further restriction of trade

Minnesota rate decision favorable to railways; Democrats carried Maine; revival of demand for bonds

1910 October	247	266	19	Max.	13.5	3.13	+ 3.5	Crops better than expected; Democratic success at elections forecasted; Bank of England raised rate to 5 per cent
November	246	263	17		10.7	3.23	+ 2.9	Democrats captured House of Representatives; federal suit against "Sugar Trust"; pessimistic trade forecasts
December	243	255	12	Min.	9.8	3.38	+ 3.6	Encouragement received from Taft's message to Congress and decision in Anthracite Coal cases; further federal suits against corporations; additional increases of wages by railways; continued restrictions of trade
1911 January	246	262	16		10.4	3.18	+ 8.6	Carnegie Trust Co. closed; restriction of production in leather and cotton trades; large loan flotations by New York City and by railways; prospects of steel trade better; net earnings of railways larger; money market easy
February	250	267	17	Max.	10.2	2.28	+ 5.4	Decline in commodity prices; several new railway loans; further improvement in steel trade; plan for double tracking Union and Southern Pacific announced; market broke on 24th after announcement that Interstate Commerce Commission refused to permit advance of railway freight rates
March	251	265	14		6.8	2.28	+ 3.6	N.Y. Central Railroad reduced dividend; railway net earnings lower; troops sent to Mexican border; new orders in steel trade smaller; copper stocks larger; money market dull
April	249	260	11	Min.	5.6	2.30	+ 3.0	Congress met in extra session; further signs of reaction in general business; increasing demand for bonds; rates for money very low
May	249	263	14		11.1	2.31	- 1.8	Supreme Court decision in Standard Oil case followed by temporary revival of speculation; general cut in steel prices; House of Representatives began investigation of U.S. Steel Corporation

TABLE I—Continued

	By MONTHS					CURRENT EVENTS AFFECTING THE STOCK MARKET		
	Relative Prices of Stocks				Net Imports (+) or Exports (-) of Gold in Millions of Dollars			
	Low	High	Spread	Turning- points				
1911 June.....	259	271	12	Max.	10.5	2.40	+ 1.7	Sale of Panama Canal bonds highly successful; government defeated in suit to separate Southern Pacific from Union Pacific, but won suit against "Powder Trust" and began several new prosecutions under Sherman law; crops injured by dry weather Further damage to grain crops, and wild speculation for advance of prices; Interstate Commerce Commission's decision regarding Pacific Coast rates deemed unfavorable to railways; new trust prosecutions; anxiety over Moroccan crisis Supporting of prices apparently ceased on Stock Exchange; liquidation on European account; threatened labor difficulties for railways; prices of steel products weaker; new trust prosecutions Speeches by Taft and Wickersham threaten extensive prosecutions of trusts; uneasiness in European markets; loans by New York to Paris and Berlin; Tripolitan war; price-cutting in steel; western railway strikes Federal suit against U.S. Steel Corporation; Wickersham approved plan of "Tobacco Trust" for reorganization; steel earnings larger; revolution in China; monetary tension in Europe relaxed; New York bought \$13,000,000 Prussian treasury notes; money a drug
July.....	255	265	10		5.5	2.36	+ .4	
August.....	232	262	30		15.0	2.31	+ 3.6	
September..	224	242	18	Min.	17.4	2.28	+ 2.4	
October....	232	246	14		10.9	2.33	+ .1	

1911 November...	238	253	15		14.9	2.72	-10.5	Circuit Court approved plan for disintegration of "Tobacco Trust"; Commerce Court enjoined order of Interstate Commerce Commission in Pacific Coast rate cases; increased railway orders for steel products; financial conditions abroad easier; over \$10,000,000 gold sent to Canada; New York reserves below 25 per cent
December...	240	252	12	Max.	9.1	4.03	+ 3.7	Hadley Commission's report on railway securities well received; increasing orders for iron and steel; further trust prosecutions; receivers appointed for Wabash; rates for money somewhat firmer
1912 January....	230	244	14		10.9	2.43	+ 3.2	Railway earnings smaller; C.M. & St.P. reduced dividend; wage increase demanded by engineers; Lawrence strike; industry more active; Equitable fire; monetary ease; loans made to Europe
February....	230	241	11	Min.	7.1	2.28	- 7.7	Roosevelt announced that he would accept nomination; further improvement in steel, copper, and textile trades; continued ease in money; heavy gold exports to Paris
March.....	234	250	16		14.6	2.42	- 3.1	Bull movement, supported by growing activity in trade; earnings larger; anthracite coal strike called; wage increase in textile mills; deficit in N.Y. bank reserves
April.....	243	257	14	Max.	16.0	3.00	+ 2.1	Titanic disaster; Roosevelt gaining; unfavorable crop reports; labor controversies less threatening; floods on the Mississippi; suit against Harvester Co.; increase in bank reserves; Bull clique supporting market
May.....	240	254	14		13.7	2.75	- 1.1	Further gains by Roosevelt; coal miners returned to work; crop prospects poor; railway firemen demanded higher pay; metal trades active, but U.S. Steel earnings small
June.....	237	247	10		7.2	2.75	- 1.6	Taft nominated; steel trade active; crop conditions improved; "Money-Trust" inquiry begun

TABLE I—Continued

	By MONTHS					CURRENT EVENTS AFFECTING THE STOCK MARKET		
	Relative Prices of Stocks				Millions of Shares Sold		Average Call-loan Rate Per cent	Net Imports (+) or Exports (-) of Gold in Millions of Dollars
	Low	High	Spread	Turning-points				
1912 July	235	245	10	Min.	7.2	2.88	Wilson nominated; crop prospects excellent, except cotton; metal trades very active; money dearer; deficit in N.Y. bank reserves Crop prospects excellent; Roosevelt nominated; all tariff bills failed; continued activity of trade; money less easy Large crops assured; trade active; increased railway earnings; brisk demand for money Balkan War; acute tension in European markets; foreign liquidation in American securities Democrats captured presidency and Congress; Europe repurchasing American securities; money rates stiffened Supreme Court dissolved Union Pacific and Southern Pacific merger; trade active; Balkan peace conference
August	240	253	13		9.0	2.84	
September	242	254	12	Max.	10.1	2.63	
October	238	254	16		14.2	5.33	
November	237	248	11		8.7	6.38	
December	226	242	16	Min.	12.6	6.50	

for blighting the revival of 1909, and the outbreak of war in Europe, —despite all these difficulties, the volume of business expanded month after month. Not until the very close of the year, when the prospect of tariff revision began to disturb many minds, was the pace of advance moderated, and even then the tone of business in most quarters remained fairly confident.

The stock market reflected these successive changes in business conditions much more faithfully in 1907-11 than in 1912. The lowest point touched by the index number during the panic was 159.0 in November, 1907.¹ In 1908 the lowest point was 159.5 in February. Even while industrial stagnation was at its worst, stock prices rose. By July, 1908 the index number was above 200; by December, above 250. When general business improved in 1909 a further rise occurred in stocks. By June stock prices were actually higher than ever before in the whole period since 1890, and the rise continued until the index number stood at 295.5 in December—16.0 points above the previous high record of January, 1906.

In this upward rush of quotations the stock market had discounted the re-establishment of prosperity while general business was still in the stage of revival. Consequently, when the revival was blighted in 1910 and business relapsed into depression, stock prices suffered a grievous fall. By July, 1910, the index number stood at 232.5—a loss of 63.0 points in seven months. During the rest of 1910 and all of 1911 the state of mild depression obstructed every campaign for the rise. The highest point touched in this period was 265.0 in June, 1911, when the government was defeated in its first suit to separate the Union Pacific and Southern Pacific railways. But efforts to maintain that level of prices were unavailing. By September, 1911, the index number was back at 233.0, and after a slight rise at the end of the year it relapsed again to 235.5 in February, 1912.

In 1909, the stock market had run far in advance of the revival

¹ This and the following figures are means of the highest and lowest relative prices as shown by the tables. Readers critically interested in these tables may be reminded that the numerous small discrepancies between figures for months, quarters, and years arise from imperfections in the original data—not from inaccurate computations. See *Journal of Political Economy*, XVIII, 348, note 2.

of general business; in 1912 it lagged behind. While manufacturers were booking orders far ahead, while wholesale and retail merchants were increasing their stocks and turning over their goods rapidly, while basic commodity prices were rising, and while bonuses were being promised for prompt delivery, the stock market rose only 14.5 points from February to April, then kept a fairly even course until after the presidential election, and finally receded

TABLE II

AVERAGE RELATIVE PRICES OF FORTY COMMON STOCKS, CLASSIFIED ACCORDING TO THEIR AVERAGE ACTUAL PRICES IN 1890-99

(Continues table on p. 376, *Journal of Political Economy*, XVIII)

	¹⁷ Stocks Selling at Less than \$25 in 1890-99	¹³ Stocks Selling at \$25 to \$99 in 1890-99	¹⁰ Stocks Selling at More than \$100 in 1890-99
1909.....	332	271	193
1910.....	301	260	166
1911.....	296	253	160
1912.....	278	257	165

TABLE III

AVERAGE RELATIVE PRICES OF SEVEN GROUPS OF TRANSPORTATION STOCKS IN 1909-12

(Continues table on p. 379, *Journal of Political Economy*, XVIII)

	5 North Atlantic Railways	4 Coal- Carrying Railways	6 Southern Railways	8 Middle- Western Railways	7 North- western Railways	5 Pacific Railways	5 Express Steamship and Telegraph Companies
1909....	159	340	358	201	296	445	177
1910....	141	331	349	197	243	406	148
1911....	140	328	345	178	244	405	137
1912....	138	364	347	173	210	397	130

to 234.0 in December. For the year as a whole, prices averaged less than in 1911, as in 1911 they had averaged less than in 1910, and in 1910 less than in 1909. Investors and speculators may have feared lest this second revival should suffer the fate of the first, or doubted whether as matters stood, an increase of traffic would bring a corresponding increase of profits to the railways. Certainly the sales of American securities by Europeans after the Balkan War broke out, the fear of tariff changes when the Demo-

crats captured the Senate as well as the House and the presidency, and the final success of the government in its suit to separate the Union and Southern Pacific railways, were powerful repressive influences in the stock market.

Tables II and III show that the recession of stock prices since 1909 has occurred among high-grade and low-grade stocks, and among the stocks of railways in every section of the country except the anthracite coal-mining district. Not all these groups however show a fall from 1911 to 1912. On the contrary, the medium and high-grade stocks which appeal primarily to the investor scored a slight gain in 1912, while the low-grade stocks suffered a considerable fall. Among the geographical groups, the anthracite coal stocks made a notable advance in 1912, and the southern railways a slight advance.

II. THE INDEX NUMBER OF PREFERRED STOCKS

Preferred stocks have shared with common stocks in the general decline since 1909; but their fall has been more moderate. On the basis of yearly averages the drop from 1909 to 1912 is 46 points in one case, against 65 points in the other; on the basis of monthly figures it is 64.3 and 94.5 points respectively. But while preferred stocks have been much steadier in price than common stocks in 1910-1912, they have undergone changes much more violent than those shown by commodity index numbers.

TABLE IV

AVERAGE RELATIVE PRICES OF PREFERRED AND COMMON STOCKS IN TEN RAILWAYS
BY YEARS, QUARTERS, AND MONTHS, 1910-12

AVERAGE ACTUAL PRICES IN 1890-99=100

(Continues tables on pp. 515, 516, and 519, *Journal of Political Economy* XVIII)

	By YEARS							
	Low		High		Spread		Average	
	Preferred	Common	Preferred	Common	Preferred	Common	Preferred	Common
1909.....	164	267	174	293	10	26	169	280
1910.....	143	234	153	262	10	28	148	248
1911.....	134	224	141	242	7	18	138	233
1912.....	120	208	125	221	5	13	123	215

TABLE IV—*Continued*

	BY QUARTERS							
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Low	High	Low	High	Low	High	Low	High
1910 Preferred..	156	167	147	158	132	142	138	146
Common..	257	294	239	271	213	237	226	247
1911 Preferred..	140	146	139	146	132	140	126	134
Common..	231	249	233	248	219	239	214	233
1912 Preferred..	122	127	121	127	120	123	118	123
Common..	204	218	210	225	210	222	207	220

	BY MONTHS											
	1910				1911				1912			
	Preferred		Common		Preferred		Common		Preferred		Common	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Jan.....	160	176	259	309	138	144	229	247	123	128	203	219
Feb.....	151	162	247	279	141	147	233	254	122	126	203	214
March....	157	164	264	293	141	145	232	246	122	128	205	222
April.....	151	162	250	283	138	143	228	241	126	131	217	231
May.....	150	158	248	272	138	146	230	247	120	127	210	225
June.....	140	152	218	257	141	149	240	256	118	124	204	220
July.....	127	142	201	234	140	144	240	249	118	121	205	218
Aug.....	133	143	215	240	132	141	212	243	120	123	211	224
Sept.....	137	142	223	236	124	136	206	226	121	125	214	224
Oct.....	141	150	231	255	128	136	212	233	120	126	210	224
Nov.....	139	147	228	249	128	135	220	238	119	124	211	222
Dec.....	135	140	220	236	121	131	208	227	115	118	200	214

III. INTEREST RATES UPON BOND INVESTMENTS AND SHORT LOANS

Business depression disposes investors to diminish their purchases of speculative securities, and to increase their purchases of gilt-edged bonds. Hence the prices of bonds usually rise and the interest actually yielded by them usually declines in depressions. This rule held of the hard times of 1908 when compared with the flush times of 1907; but it did not hold of the depression of 1910-11 as compared with the revival of 1909. After the panic of 1907, bond yields reached their lowest point in the first third of 1909, and then, as business improved, bond yields rose. When the revival

faded away into renewed depression this was not checked, as one might have expected. On the contrary, yields averaged decidedly higher in 1910 than in 1909 and a little higher in 1911 than in 1910. With the return of activity in 1912 the upward trend was reinforced.

The explanation of this rise of bond yields through revival, depression, and renewed revival, must be sought in the effort of investors to force the overdue adjustment of long-time interest

TABLE V

ACTUAL AND RELATIVE RATES OF INTEREST YIELDED BY INVESTMENTS IN TEN RAILWAY BONDS, BY YEARS, 1910-12

(Continues table on p. 272, *Journal of Political Economy*, XIX)

	Actual Rates Per cent			Relative Rates Average Actual Rates in 1890-99 = 100		
	1910	1911	1912	1910	1911	1912
Chicago & Eastern Illinois.....	4.33	4.35	4.44	86	87	89
Missouri, Kansas & Texas.....	4.08	4.12	4.22	83	84	86
Wabash.....	4.42	4.50	4.58	93	94	96
Chesapeake & Ohio.....	4.25	4.26	4.35	90	91	93
Chicago, St. Paul, Minneapolis & Omaha	4.14	4.13	4.23	90	90	92
Chicago, Burlington, & Quincy.....	4.08	4.11	4.18	90	91	92
Central Railroad of New Jersey.....	4.02	4.06	4.12	90	91	92
Chicago, Milwaukee, & St. Paul.....	4.03	4.05	4.08	95	95	96
New York, Chicago & St. Louis.....	4.04	4.03	4.04	100	100	100
West Shore Railroad.....	3.96	3.97	4.02	103	104	105
First five.....	4.24	4.27	4.37	88	89	91
Second five.....	4.03	4.04	4.09	96	96	97
All.....	4.14	4.16	4.23	92	93	94

rates to the higher level of commodity prices. Bond-holders, like all other classes in the community, have been affected by the higher cost of living, and have sought a countervailing increase in money income. The article published in April, 1911, showed that on their current investments in railway bonds, buyers were getting in 1909 less than nine-tenths of the return which similar investments had yielded them in 1890-99, though living expenses were much higher. Even wage-earners had fared better. Since the cost of living has risen rather than fallen since 1909,¹ bond-holders

¹ See *Bulletin of the United States Bureau of Labor Statistics*, No. 113, March, 1913, p. 35.

TABLE VI

ACTUAL AND RELATIVE RATES OF INTEREST ON BONDS, COMMERCIAL PAPER, AND
CALL LOANS IN NEW YORK, BY YEARS, QUARTERS, AND MONTHS, 1910-12
(Continues tables on pp. 273, 275, and 280, *Journal of Political Economy*, XIX)

	ACTUAL RATES OF INTEREST PER CENT					RELATIVE RATES OF INTEREST AVERAGE ACTUAL RATES IN 1890-99=100				
	Bonds		Commercial Paper		Call Loans at Stock Ex- change	Bonds		Commercial Paper		Call Loan at Stock Ex- change
	West Shore R.R.	Av. of 10 Rail- Road Bonds	4-6 Months	60-90 Days		West Shore R.R.	Av. of 10 Rail- Road Bonds	4-6 Months	60-90 Days	
YEARS										
1909.....	3.89	4.00	4.67	3.86	2.70	102	89	78	84	82
1910.....	3.96	4.14	5.72	5.01	2.97	103	92	96	109	90
1911.....	3.97	4.16	4.71	4.02	2.57	104	93	79	88	78
1912.....	4.02	4.23	5.41	4.74	3.52	105	94	90	103	107
QUARTERS										
1910-1st.....	3.95	4.08	5.22	4.56	3.41	103	90	87	99	104
2d.....	3.97	4.16	5.51	4.77	3.25	104	92	92	104	99
3d.....	3.96	4.18	6.26	5.44	1.95	103	93	105	119	59
4th.....	3.96	4.14	5.98	5.26	3.24	103	92	98	115	98
1911-1st.....	3.96	4.14	4.64	3.98	2.62	103	92	78	87	80
2d.....	3.97	4.15	4.40	3.66	2.33	104	92	74	80	71
3d.....	3.98	4.16	4.96	4.15	2.32	104	93	83	91	71
4th.....	3.98	4.19	4.93	4.30	2.98	104	93	83	94	91
1912-1st.....	3.98	4.17	4.68	3.95	2.38	104	93	78	86	72
2d.....	3.99	4.20	4.83	4.11	2.83	104	93	81	90	86
3d.....	4.02	4.25	5.63	5.03	2.78	105	95	94	110	84
4th.....	4.08	4.29	6.50	5.88	6.07	107	96	109	128	184
MONTHS										
1910-Jan.....	3.94	4.06	5.28	4.75	4.72	103	90	88	104	143
Feb.....	3.94	4.07	5.16	4.44	2.78	103	90	86	97	84
March.....	3.97	4.10	5.23	4.50	2.88	104	91	87	98	87
April.....	3.98	4.13	5.59	4.75	3.28	104	92	93	104	100
May.....	3.99	4.16	5.45	4.75	3.63	104	92	91	104	110
June.....	3.95	4.18	5.50	4.81	2.77	103	93	92	105	84
July.....	3.98	4.20	6.16	5.38	2.41	104	93	103	117	73
Aug.....	3.96	4.19	6.30	5.43	1.55	103	93	105	118	47
Sept.....	3.95	4.13	6.31	5.53	2.00	103	92	105	121	61
Oct.....	3.95	4.12	6.21	5.56	3.13	103	91	104	121	95
Nov.....	3.96	4.14	6.15	5.50	3.23	103	92	103	120	98
Dec.....	3.96	4.15	5.28	4.66	3.38	103	92	88	102	103
1911-Jan.....	3.95	4.13	4.61	3.98	3.18	103	92	77	87	97
Feb.....	3.97	4.14	4.72	4.09	2.28	104	92	79	80	69
March.....	3.97	4.16	4.59	3.88	2.28	104	93	77	85	69
April.....	3.98	4.15	4.28	3.66	2.30	104	93	72	80	70
May.....	3.96	4.14	4.33	3.63	2.31	103	92	72	79	70
June.....	3.96	4.14	4.63	3.69	2.40	103	92	77	81	73
July.....	3.96	4.15	4.79	3.78	2.36	103	92	80	83	72
Aug.....	3.99	4.15	4.86	4.19	2.31	104	92	81	92	70
Sept.....	4.00	4.17	5.33	4.54	2.28	105	93	80	99	69
Oct.....	3.99	4.20	4.93	4.35	2.33	104	93	83	95	71
Nov.....	3.98	4.18	4.72	3.91	2.72	104	93	79	85	83
Dec.....	3.96	4.19	5.25	4.63	4.03	103	93	88	101	123
1912-Jan.....	3.98	4.17	4.63	3.90	2.43	103	93	77	85	74
Feb.....	3.98	4.16	4.50	3.75	2.28	104	93	75	82	69
March.....	3.99	4.18	4.91	4.19	2.42	104	93	82	91	74
April.....	3.98	4.18	5.00	4.15	3.00	104	93	84	91	91
May.....	3.99	4.19	5.00	4.19	2.75	104	93	84	91	84
June.....	4.00	4.22	4.50	4.00	2.75	105	94	75	87	84
July.....	4.01	4.23	5.08	4.53	2.88	105	94	85	99	87
Aug.....	4.02	4.23	5.69	5.00	2.84	105	94	95	109	86
Sept.....	4.03	4.28	6.13	5.56	2.63	105	95	102	121	80
Oct.....	4.06	4.30	6.50	5.93	5.33	106	96	109	129	162
Nov.....	4.07	4.29	6.50	5.72	6.38	106	95	109	125	194
Dec.....	4.10	4.29	6.50	6.00	6.50	107	95	109	131	197

have been under increased pressure to make better terms. On the other hand, borrowers are always reluctant to concede higher rates on long loans; the prevalence of mild depression has kept the new demands for loans within moderate bounds; and the investing public has remained unorganized as formerly. The one great advantage which American bond-buyers have enjoyed is that since 1909 European business has been much more active than American business, so that foreign investors have had tempting opportunities at home and have been unwilling to put their money into American securities except at high rates of interest. The rates finally attained in 1912 on the ten railway bonds included in the table are higher than the annual averages in any year since 1897. If we take the West Shore bonds, which have been less affected than any of the others by changes in the credit of the guaranteeing corporation, we find that the average yield for 1912 stands higher than at any time since 1890 with the sole exception of the panic year 1893. Thus bond-holders are beginning to come into their own again; but they must secure still further concessions if they are to offset in full the advance in cost of living.

Short-time interest rates have been rather moderate in New York ever since the active days of 1906-7. Most of the time they have stood below their averages for the decades 1890-99 and 1900-1909. But on the whole they have ruled somewhat higher than in the depression of the middle nineties. For European prosperity has exercised much the same influence in the discount as in the bond market. New York banks have made large loans in Berlin and other foreign markets, and this European demand for American funds has moderated somewhat the decline in domestic discount rates.

IV. THE INDEX NUMBER OF BONDS

Readers of the article published in April, 1911, may remember that the relative prices of bonds in these tables are computed by dividing the yield at any given time into the average actual yield in 1890-99. Hence the index number of bond prices which follows presents merely a new series of deductions from the data in Tables V and VI.

TABLE VII

AVERAGE RELATIVE PRICES OF TEN RAILWAY BONDS BY YEARS, 1910-12
COMPUTED ON THE BASIS OF AVERAGE ACTUAL YIELDS IN 1890-99

(Continues table on p. 292, *Journal of Political Economy*, XIX)

	1909	1910	1911	1912
Chicago & Eastern Illinois	121.0	115.7	115.1	112.8
Missouri, Kansas & Texas	122.4	120.3	119.1	116.3
Wabash	112.5	107.9	106.0	104.2
Chesapeake & Ohio	113.8	110.6	110.3	108.0
Chicago, St. Paul, Minneapolis & Omaha	116.6	111.2	111.5	108.8
Chicago, Burlington & Quincy	115.1	111.1	110.3	108.4
Central Railroad of New Jersey	114.5	110.8	109.7	108.1
Chicago, Milwaukee, & St. Paul	110.0	105.7	105.2	104.4
New York, Chicago & St. Louis	102.5	99.9	100.2	99.9
West Shore Railroad	98.4	96.9	96.4	95.2
First five	117.3	113.1	112.4	110.0
Second five	108.1	104.8	104.4	103.2
All	112.7	109.0	108.4	106.6

Every bond in the list fell in price between 1909 and 1912, though the fall was rather less among the stronger than among the weaker issues. The heaviest fall occurred between 1909 and 1910, or more accurately between May, 1909, and July, 1910. After the latter date prices rose a little; but in March, 1912, they started on another decline which lasted until October and brought the lowest level touched since the panic of 1907.

Into the comparison between bond and stock prices a new column has been introduced. It gives the relative prices of those ten out of the fifty stocks dealt with which have paid dividends in every year since 1890.¹ Although seven out of the ten are common stocks, this dividend-paying group has been steadier in price than the ten preferred stocks. Since the dividend-paying stocks are real competitors with bonds for the patronage of investors, it is not surprising to find their movements synchronizing roughly with the fluctuations of bonds—albeit the oscillations are much

¹ The common stocks of the Central Railroad of New Jersey, Chicago & Northwestern, Delaware & Hudson, Illinois Central, New York Central, New York, New Haven & Hartford, and the American Express Co., together with the preferred stocks of the Chicago, Milwaukee & St. Paul, Chicago & Northwestern, and Cleveland, Cincinnati, Chicago, & St. Louis.

TABLE VIII

RELATIVE PRICES OF BONDS AND STOCKS BY YEARS, QUARTERS, AND MONTHS, 1910-12
(Continues tables on pp. 292 and 295, *Journal of Political Economy*, XIX)

YEARS	RELATIVE PRICES OF BONDS COMPUTED ON BASIS OF AVERAGE ACTUAL YIELDS IN 1890-99		RELATIVE PRICES OF STOCKS COMPUTED ON BASIS OF AVERAGE ACTUAL PRICES IN 1890-99=100			
	West Shore R.R.	Average of 10 Railway Bonds	Average of 10 Dividend-Paying Stocks	Average of 10 Preferred Stocks	Average of 10 Common Stocks	Average of 40 Common Stocks
1909.....	98	113	150	160	280	277
1910.....	97	109	142	148	248	254
1911.....	96	108	137	138	233	248
1912.....	95	107	141	123	215	243

QUARTERS						
1910—Ist.....	97	111	150	162	275	274
2d.....	96	109	142	152	255	258
3d.....	97	108	135	137	225	235
4th.....	97	109	139	142	236	252
1911—Ist.....	97	109	139	143	240	253
2d.....	96	109	139	142	240	256
3d.....	96	108	134	136	229	246
4th.....	96	108	136	130	223	241
1912—Ist.....	96	108	142	125	211	238
2d.....	96	107	144	124	218	246
3d.....	95	106	142	121	216	245
4th.....	94	105	138	120	214	241

MONTHS						
1910—Jan.....	97.1	111.1	154.6	167.7	284.3	280.0
Feb.....	97.1	110.8	148.1	156.2	262.8	263.5
Mar.....	96.4	110.0	148.8	160.8	278.2	278.5
April.....	96.2	109.2	146.1	156.6	266.5	265.5
May.....	95.9	108.4	142.0	154.0	260.0	262.0
June.....	96.9	107.9	137.8	146.0	237.8	249.0
July.....	96.2	107.4	134.4	136.8	217.4	232.5
Aug.....	96.6	107.6	135.4	138.9	227.4	239.0
Sept.....	96.9	109.2	136.2	150.5	229.7	238.5
Oct.....	96.9	109.5	140.9	145.5	242.9	256.5
Nov.....	96.6	108.9	139.6	120.4	238.5	254.5
Dec.....	96.6	108.7	135.9	140.7	242.6	249.0

TABLE VIII.—*Concluded*

MONTHS	RELATIVE PRICES OF BONDS COMPUTED ON BASIS OF AVERAGE ACTUAL YIELDS IN 1890-99		RELATIVE PRICES OF STOCKS COMPUTED ON BASIS OF AVERAGE ACTUAL PRICES IN 1890-99 = 100			
	West Shore R.R.	Average of 10 Railway Bonds	Average of 10 Dividend-Paying Stocks	Average of 10 Preferred Stocks	Average of 10 Common Stocks	Average of 40 Common Stocks
1911—Jan.	96.9	109.1	137.8	141.2	254.3	254.0
Feb.	96.4	109.0	140.4	156.5	243.6	258.5
March.	96.4	108.5	137.6	153.2	255.9	258.0
April.	96.2	108.6	137.6	158.3	234.7	254.5
May.	96.6	108.9	138.5	145.8	238.7	256.0
June.	96.6	108.9	139.8	144.9	248.0	265.0
July.	96.6	108.8	138.6	142.0	244.5	260.0
Aug.	95.9	108.7	134.6	136.6	227.4	247.0
Sept.	95.7	108.2	129.6	132.3	215.8	233.0
Oct.	95.9	107.5	133.1	134.5	222.4	239.0
Nov.	96.2	108.0	137.3	120.7	229.2	245.5
Dec.	96.6	110.1	137.2	126.0	233.1	246.0
1912—Jan.	96.2	108.1	138.6	125.3	211.2	237.0
Feb.	96.2	108.3	143.2	123.8	208.4	235.5
March.	95.9	108.0	142.8	125.1	213.3	242.0
April.	96.2	107.8	145.2	128.2	224.0	250.0
May.	95.9	107.6	143.4	123.9	217.7	247.0
June.	95.7	106.9	143.1	120.8	212.3	242.0
July.	95.4	106.6	142.0	119.7	211.5	240.0
Aug.	95.2	106.6	142.2	121.5	217.4	246.5
Sept.	95.0	105.5	142.1	123.1	218.9	248.0
Oct.	94.3	104.9	140.3	123.0	217.3	246.0
Nov.	94.0	105.1	138.9	121.9	216.5	242.5
Dec.	93.3	105.0	135.1	116.7	207.0	234.0

wider. The chief difference to be noted is that these stocks rose a trifle in 1912, while bonds continued to fall.

V. CONSPECTUS OF SECURITY PRICES AND INTEREST [RATES BY YEARS, 1890-1912

It is convenient to have the general results of these investigations assembled in a single place. The security prices and interest rates are therefore given for the whole period 1890-1912 in four tables, of which two show averages by years, and two by phases of business cycles. In studying the latter tables it is important to remember that comparisons of successive averages sometimes give a wrong impression. For example, a long period of depres-

sion in which stock prices decline from a high to a low level may well have a higher average than the succeeding period of revival, in which prices are rising gradually from the low point attained

TABLE IX

RELATIVE PRICES OF BONDS, STOCKS, AND COMMODITIES. BY YEARS, 1890-1912
ARITHMETIC MEANS. AVERAGE ACTUAL PRICES IN 1890-99=100

YEAR	BONDS			STOCKS				COMMODITIES
	United States 4's of 1907 and 1925	West Shore R.R.	Average of 10 Railway Bonds	10 Dividend-Paying Stocks	Preferred Stocks in 10 Railways	Common Stocks in 10 Railways	Common Stocks in 40 Transportation Companies	145 Staples
1890.....	114	99	96	104	108	113	121	114
1891.....	104	97	93	100	104	113	113	113
1892.....	99	98	97	105	115	124	123	106
1893.....	91	95	95	96	87	89	93	105
1894.....	99	99	98	94	82	82	82	96
1895.....	96	100	101	95	87	87	85	93
1896.....	88	99	100	92	85	81	77	89
1897.....	101	103	103	94	94	90	84	89
1898.....	103	104	107	102	107	97	94	93
1899.....	112	107	114	118	130	126	128	103
1900.....	127	107	115	121	133	144	134	111
1901.....	140	108	119	142	178	262	211	110
1902.....	140	108	120	157	191	305	250	114
1903.....	139	103	114	136	163	238	201	114
1904.....	132	103	115	136	156	215	192	114
1905.....	138	103	118	158	181	278	250	116
1906.....	135	101	114	159	180	291	267	122
1907.....	127	96	107	129	138	206	204	130
1908.....	113	97	108	126	130	195	201	121
1909.....	110	98	113	150	169	280	277	124
1910.....	101*	97	109	142	148	248	254	131
1911.....	103*	96	108	137	138	233	248	128†
1912.....	114*	95	107	141	123	215	243	...
Averages								
1890-99..	100	100	100	100	100	100	100	100
1900-09..	130	102	114	141	162	241	219	118

* Computed from yields in January, April, July, and October, as given in the *Report of the Comptroller of the Currency*.

† Estimated.

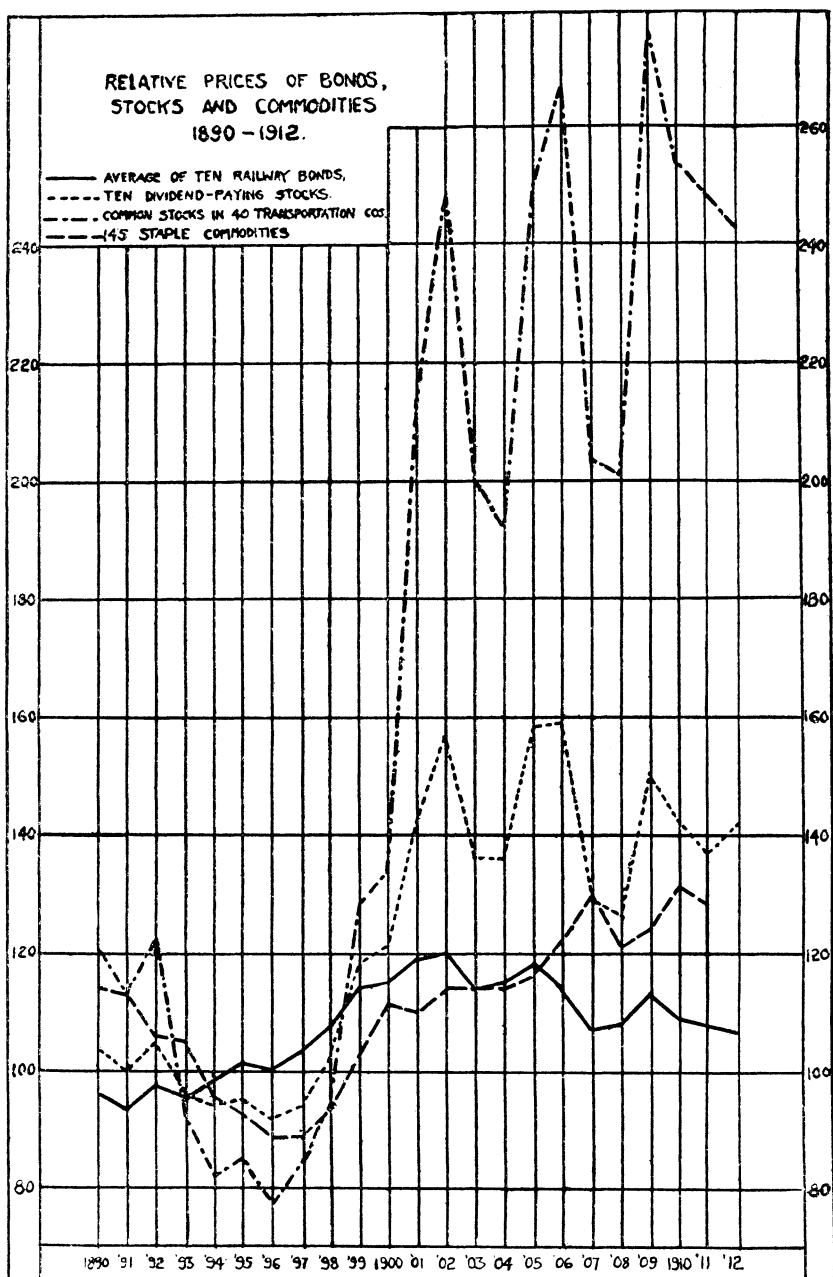
at the end of depression. Such misleading appearances can be easily detected by turning to the monthly tables.

The general trend of commodity and security prices can be seen most easily in the two charts which follow Table X.

TABLE X

RELATIVE PRICES OF BONDS AND STOCKS IN SEASONS OF BUSINESS PROSPERITY,
CRISIS, AND DEPRESSION, 1890-1912

	BONDS		STOCKS		
	W.S. R.R.	Av. of 10 Rail- road Bonds	Av. of 10 Pre- ferred Stocks	Av. of 10 Com- mon Stocks	Av. of 40 Com- mon Stocks
January, 1890—July, 1890—Prosperity	100	97	113	123	131
August, 1890—December, 1890—Minor crisis . .	97	94	103	108	115
January, 1891—July, 1891—Depression	97	93	100	103	107
August, 1891—August, 1892—Prosperity	98	96	115	127	123
September, 1892—October, 1893—Approach of crisis	97	97	106	112	116
May, 1893—October, 1893—Major crisis	94	93	78	80	84
November, 1893—March, 1895—Severe depres- sion	99	98	81	82	81
April, 1895—September, 1895—Revival	100	102	93	94	91
October, 1895—June, 1896—Renewed depression	100	101	88	84	82
July, 1896—October, 1896—Free-silver campaign	98	97	79	74	71
November, 1896—June, 1897—Depression	102	102	86	83	77
July, 1897—February, 1898—Revival	104	105	103	98	93
March, 1898—April, 1898—Spanish war impend- ing	101	104	98	85	87
May, 1898—September, 1899—Prosperity	106	111	121	113	113
October, 1899—December, 1899—Minor crisis . .	107	113	132	127	133
January, 1900—September, 1900—Slight depres- sion	107	114	131	138	130
October, 1900—October, 1902—Prosperity	108	119	180	269	219
November, 1902—July, 1904—"Rich man's panic"	103	114	162	228	195
August, 1904—August, 1905—Revival	103	118	177	263	232
September, 1905—September, 1906—Prosperity	102	116	182	290	265
October, 1906—September, 1907—Approach of crisis	98	110	157	242	231
October, 1907—December, 1907—Major crisis . .	93	101	122	161	166
January, 1908—September, 1908—Severe de- pression	97	107	124	184	190
October, 1908—December, 1909—Revival	98	112	166	272	269
January, 1910—December, 1911—Reaction	97	109	143	241	251
January, 1912—December, 1912—Revival	95	107	123	215	243



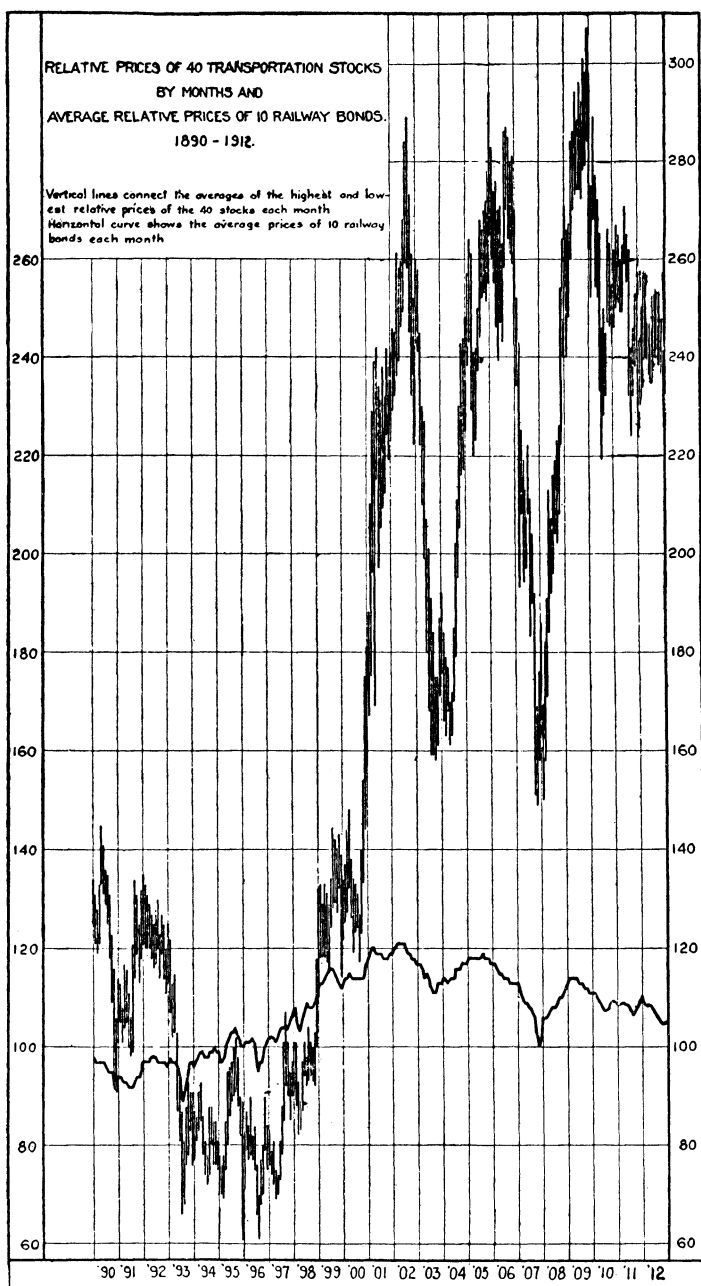


TABLE XI

ACTUAL AND RELATIVE RATES OF INTEREST ON BONDS, COMMERCIAL PAPER, AND CALL LOANS IN NEW YORK BY YEARS, 1890-1912

YEAR	ACTUAL RATES OF INTEREST					RELATIVE RATES OF INTEREST. AVERAGE ACTUAL RATES 1890-99 = 100				
	Bonds			Commercial Paper		Bonds			Commercial Paper	
	U.S. 4's of 1907 and 1935	West Shore R.R.	Av. of 10 Railroad Bonds	4-6 Months	60-90 Days	U.S. 4's of 1907 and 1935	West Shore R.R.	Av. of 10 Railroad Bonds	4-6 Months	60-90 Days
1890.....	2.43%	3.88%	4.72%	6.89%	5.64%	88	101	105	115	123
1891.....	2.65	3.96	4.85	6.50	5.41	96	103	107	109	118
1892.....	2.80	3.90	4.64	5.38	4.04	101	102	103	90	88
1893.....	3.04	4.02	4.75	7.62	6.86	110	105	105	127	150
1894.....	2.70	3.87	4.59	5.22	3.04	101	101	102	87	66
1895.....	2.86	3.82	4.48	5.73	3.64	105	100	99	96	79
1896.....	3.14	3.85	4.54	7.02	5.76	114	101	100	117	126
1897.....	2.73	3.72	4.38	4.72	3.57	99	97	97	79	78
1898.....	2.69	3.69	4.21	5.31	3.82	97	96	93	89	83
1899.....	2.47	3.56	3.96	5.48	4.05	89	93	88	92	88
1900.....	2.18	3.57	3.95	5.71	4.38	79	93	88	95	96
1901.....	1.97	3.54	3.79	5.41	4.24	71	93	85	90	93
1902.....	1.98	3.55	3.77	5.75	4.88	72	93	84	96	106
1903.....	1.99	3.70	3.96	6.21	5.43	72	97	88	104	118
1904.....	2.09	3.72	3.92	5.13	4.24	76	97	87	86	93
1905.....	2.00	3.70	3.82	5.17	4.35	73	97	85	86	95
1906.....	2.04	3.80	3.94	6.24	5.68	74	99	88	104	124
1907.....	2.18	3.97	4.22	6.55	6.27	79	104	94	109	137
1908.....	2.44	3.95	4.16	4.95	4.42	88	103	93	83	96
1909.....	2.52	3.89	4.00	4.67	3.86	91	102	89	78	84
1910.....	2.74*	3.96	4.14	5.72	5.01	99*	103	92	96	109
1911.....	2.68*	3.97	4.16	4.71	4.02	97*	104	93	79	88
1912.....	2.43*	4.02	4.23	5.41	4.74	88*	105	94	90	103
Averages										
1890-99	2.76	3.83	4.51	5.99	4.58	100	100	100	100	100
1900-09	2.14	3.74	3.95	5.61	4.78	77	98	88	93	104

* Computed from average yields for January, April, July, and October as given by the Reports of the Comptroller of Currency.

TABLE XII

RATES OF INTEREST YIELDED BY INVESTMENTS IN BONDS AND BY SHORT-TIME LOANS IN SEASONS OF BUSINESS PROSPERITY, CRISIS, AND DEPRESSION, 1890-1912

	ACTUAL RATES OF INTEREST				RELATIVE RATES OF INTEREST AVERAGE ACTUAL RATES 1890-99 = 100			
	Bonds		Commercial Paper		Bonds		Commercial Paper	
	West Shore R.R.	Av. of 10 Railroad Bonds	4-6 Months	60-90 Days	West Shore R.R.	Av. of 10 Railroad Bonds	4-6 Months	60-90 Days
Jan., 1890—July, 1890—Prosperity	3.83%	4.65%	6.41%	5.17%	100	103	107	113
Aug., 1890—Dec., 1890—Minor crisis	3.94	4.82	7.60	6.56	103	107	127	143
Jan., 1891—July, 1891—Depression	3.96	4.87	6.57	5.38	103	108	110	117
Aug., 1891—Aug., 1892—Prosperity	3.92	4.70	5.51	4.30	102	104	92	94
Sept., 1892—Apr., 1893—Approach of crisis	3.94	4.65	6.24	5.38	103	103	104	117
May, 1893—Oct., 1893—Major crisis	4.09	4.86	9.23	8.19	107	108	154	179
Nov., 1893—Mar., 1895—Severe depression	3.87	4.60	5.48	3.25	101	102	92	71
Apr., 1895—Sept., 1895—Revival	3.81	4.43	5.29	3.31	100	98	88	72
Oct., 1895—June, 1896—Renewed depression	3.81	4.45	6.59	4.94	100	99	110	108
July, 1896—Oct., 1896—Free-silver campaign	3.92	4.67	8.10	7.47	102	104	135	163
Nov., 1896—June, 1897—Depression	3.77	4.44	4.83	3.62	99	98	81	79
July, 1897—Feb., 1898—Revival	3.69	4.29	4.81	3.61	96	95	80	79
Mar., 1898—Apr., 1898—Spanish war impending	3.78	4.35	6.84	5.22	99	96	114	114
May, 1898—Sept., 1899—Prosperity	3.61	4.05	5.12	3.65	94	90	86	80
Oct., 1899—Dec., 1899—Minor crisis	3.59	4.00	6.73	5.45	94	89	112	119
Jan., 1900—Sept., 1900—Slight depression	3.57	3.96	5.68	4.27	93	88	95	93
Oct., 1900—Oct., 1902—Prosperity	3.54	3.79	5.56	4.52	93	84	93	99
Nov., 1902—July, 1904—"Rich man's panic"	3.70	3.95	5.82	5.09	97	88	97	111
Aug., 1904—Aug., 1905—Revival	3.70	3.84	4.93	4.06	97	85	82	80
Sept., 1905—Sept., 1906—Prosperity	3.76	3.90	6.06	5.42	98	86	101	118
Oct., 1906—Sept., 1907—Approach of crisis	3.90	4.10	6.57	6.06	102	91	110	132
Oct., 1907—Dec., 1907—Major crisis	4.13	4.45	7.33*	7.50	108	99	122*	164
Jan., 1908—Sept., 1908—Severe depression	3.96	4.20	5.05	4.50	103	93	84	98
Oct., 1908—Dec., 1909—Revival	3.90	4.01	4.61	3.99	102	89	77	87
Jan., 1910—Dec., 1911—Reaction	3.97	4.15	5.23	4.52	104	92	87	99
Jan., 1912—Dec., 1912—Revival	4.02	4.23	5.41	4.74	105	94	90	103

*Nominal.